

DWA/RSK/BMD/EVW/MCV: jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS

RESOLUTION W-4939

December 20, 2012

R E S O L U T I O N

(RES. W-4939), DEL ORO WATER COMPANY, METROPOLITAN DISTRICT. ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUE OF \$1,955 OR 11.99% FOR TEST YEAR 2012.

SUMMARY

By Advice Letter 337, filed on April 24, 2012, Del Oro Water Company (DOWC) seeks to increase water service rates in its Metropolitan District to recover increased operating expenses and earn a reasonable return on its plant investment.

For Test Year 2012, this resolution grants an increase in gross annual revenues of \$1,955 or 11.99% over the revenues produced under current rates, and provide a 10.80% Rate of Return.

BACKGROUND

DOWC is a Class B multi-district water company¹ that provides water service to 17 water districts throughout the state. Metropolitan District is one of the 17 water districts located in Fresno County and currently serves 19 metered and 9 flat-rate customers. The Metropolitan District's water distribution system has one well, a steel pressure/storage tank, and the water distribution mains.

The present rates for Metropolitan District were approved by Resolution (Res.) W-4613 for Watertek Water Utilities' (Watertek) Test Year (TY) 2006 General Rate Case (GRC), which granted a general rate increase in gross revenues of \$7,970 or 103%.

1. A water company is classified as Class B if it has more than 500 and less than 2,000 service connections.

DOWC purchased the Metropolitan District's water system from Watertek in March of 2011. The sale and purchase of the Metropolitan water system was approved by Commission Decision (D.) 11-03-016. DOWC filed its GRC request for the Metropolitan District in compliance with ordering paragraph five of D.11-03-016. DOWC requests to increase gross water revenues for TY 2012 for the Metropolitan District by \$ 4,302, or 27.00% over the revenues produced under current rates, based on a Rate of Margin (ROM) of 22.56%.

NOTICE AND PROTESTS

In accordance with GO 96-B, AL 337 was served on April 25, 2012, to adjacent utilities and persons on the general service list. DOWC mailed two separate customer notices, the first notice on May 9, 2012 and the second notice on June 15, 2012, to each customer and the general service list.² No protest letters were filed in response to DOWC's rate increase request.

An informal meeting was held on May 31, 2012 at 7:00 PM at the John Steinbeck Elementary School in Fresno, California. No customers of the Metropolitan District attended the meeting.

DISCUSSION

The Division of Water and Audits (DWA) made an independent analysis of the Metropolitan District's operations. Appendix A shows DOWC's and the DWA's estimated summary of earnings at present and proposed rates for TY 2012, and Appendix B provides DWA's recommended rates for TY 2012. DOWC is in agreement with the recommended revenue requirement, shown in Appendix A, and the DWA's recommended rates, shown in Appendix B. The Division recommends that the Commission approve the rate increases and resulting rates included in Appendix B.

Operating Expenses

DOWC, proportionally allocates the following operating expenses among its 17 districts, based on the percentage of customers in each district relative to the total number of customers in all of its districts:

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2. DOWC's second notice included additional information in Spanish advising customers on how to obtain more information about the proposed rate increase in Spanish.

- management, superintendent, and office salaries and benefits;
- transportation expenses;
- office rental and supplies;
- professional services; and
- property insurance.

DOWC allocates 0.35% of these expenses to the Metropolitan District. DWA reviewed the cost allocation applied to the Metropolitan District and concurs with DOWC's allocation percentages. However, DWA recommends a lower amount for office salaries. DWA reviewed DOWC's office and management personnel and determined that two positions, an engineer and a public relations person, were not justified for inclusion in rates for Metropolitan District, given the size of the district. DWA therefore has excluded these two positions from the office and management salaries cost allocation, and also adjusted employee pension and benefits to reflect these exclusions.

DWA reviewed all other expenses that are directly related to the operations of the Metropolitan District and found those expenses reasonable for operating a water distribution system with twenty-eight service connections. DWA therefore recommends the Commission adopt DWA's recommended operating expenses for TY 2012 in Appendix A.

Revenue Requirement and Rate of Return

DOWC requested a ROM of 22.56% for the Metropolitan District. Under the Commission's ratemaking policies adopted in D.92-03-093, ROM ratemaking treatment is only applicable to Class C and D water utilities, or unless specifically authorized by the Commission, which is not the case for the Metropolitan District. DWA therefore recommends a ROR of 10.80% for this district based on the most current authorized ROR for DOWC. DWA used a 10.80% ROR for its analysis and computed a revenue requirement of \$18,255 for TY 2012. DOWC is in agreement with the recommended ROR and revenue requirement.

DOWC's Metropolitan District's rate structure consists of two schedules: 1-MP, General Metered Service; and 2-MP, Residential Flat Rate Service. The rates proposed by DWA are shown in Appendix B. At the recommended ROR the increase in revenue will be \$1,955 or 11.99% for test year 2012.

At DWA's recommended rates shown in Appendix B, the bill for a 5/8 x 3/4-inch metered residential customer using the system average of 17.03 one-hundred cubic feet

(Ccf)³ per month would increase from \$47.31 to \$52.99 or 11.99%. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

COMPLIANCE

DOWC's Metropolitan District has no outstanding compliance orders.

COMMENTS

This is an uncontested matter in which the resolution grants less than the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. DOWC has requested authority to increase gross water revenues for its Metropolitan District for Test Year (TY) 2012 by \$4,302, or 27.00% over the revenues produced under current rates.
2. DOWC purchased the Metropolitan District's water distribution system from Watertek in March of 2011.
3. The sale and purchase of the Metropolitan water system was approved by Commission D.11-03-016.
4. DOWC filed the GRC for Metropolitan District in compliance with ordering paragraph five of D.11-03-016.
5. Advice Letter 337 was served in accordance with General Order 96-B on April 25, 2012. DOWC mailed two separate notices of the proposed rate increase, the first notice on May 9, 2012 and the second notice on June 15, 2012, to each customer and the general service list.
6. The present rates for the Metropolitan District were adopted by Res. W-4613 for Watertek's TY 2006 GRC.

3. One Ccf equals 748.1 gallons.

7. In reviewing DOWC's request, DWA made an independent analysis of the company's operations.
8. DWA review DOWC's office and management personnel and determined that two positions, an engineer and a public relations person, were not justified for inclusion in rates for Metropolitan District, given the size of the district.
9. DWA excluded these two positions from the office and management salaries costs allocation, and also adjusted employee pension and benefits to reflect these exclusions.
10. DOWC is in agreement with DWA's recommended revenue requirement, shown in Appendix A, and recommended rates, shown in Appendix B.
11. DWA's recommended Summary of Earnings shown in Appendix A is reasonable and should be adopted.
12. The rates recommended by DWA (Appendix B) are reasonable and should be adopted.
13. The quantities (Appendix D) used to develop DWA's recommendations are reasonable and should be adopted.
14. DOWC's Metropolitan District has no outstanding compliance orders.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company, Metropolitan District, to file a supplemental advice letter with the rate schedules attached to this Resolution as Appendix B, and concurrently cancel its presently effective rate Schedules Nos. 1-MP, General Metered Service, and 2-MP, Residential Flat Rate Service. The effective date of the revised schedules shall be five days after the date of filing.
2. The quantities (Appendix D) used to develop the Division of Water and Audits' recommendations are adopted.

3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 20, 2012; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A
DOWC Metropolitan District
Summary Of Earnings
Test Year 2012

	<u>DOWC</u>		<u>Division</u>		<u>Division</u>
	<u>Present</u>	<u>Requested</u>	<u>Present</u>	<u>Requested</u>	<u>Recommended</u>
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Operating Revenues					
Metered	\$ 10,787	\$ 13,701	\$ 10,787	\$ 13,709	\$ 12,081
Unmetered	\$ 5,141	\$ 6,529	\$ 5,513	\$ 7,001	\$ 6,174
Other	\$ -	\$ -	\$ -		
Total Revenue	\$ 15,928	\$ 20,230	\$ 16,300	\$ 20,711	\$ 18,255
Operating Expenses					
610 Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 1,753	\$ 1,753	\$ 1,753	\$ 1,753	\$ 1,753
618 Other Volume Related Expenses		\$ -	\$ 600	\$ 600	\$ 600
630 Employee Labor	\$ 3,549	\$ 3,549	\$ 3,549	\$ 3,549	\$ 3,549
640 Materials	\$ 252	\$ 252	\$ 500	\$ 500	\$ 500
650 Contract Work	\$ 276	\$ 276	\$ 600	\$ 600	\$ 600
660 Transportation Expenses	\$ 909	\$ 909	\$ 1,000	\$ 1,000	\$ 1,000
664 Other Plant Maintenance		\$ -	\$ -	\$ -	\$ -
670 Office Salaries	\$ 2,348	\$ 2,348	\$ 2,029	\$ 2,029	\$ 2,029
671 Management Salaries	\$ 441	\$ 441	\$ 441	\$ 441	\$ 441
674 Employee Pensions and Benefits	\$ 1,410	\$ 1,410	\$ 1,372	\$ 1,372	\$ 1,372
676 Uncollectable Accounts		\$ -	\$ -	\$ -	\$ -
678 Office Services and Rentals	\$ 369	\$ 369	\$ 369	\$ 369	\$ 369
681 Office Supplies and Expenses	\$ 1,082	\$ 1,082	\$ 1,082	\$ 1,082	\$ 1,082
682 Professional Services	\$ 65	\$ 65	\$ 500	\$ 500	\$ 500
684 Insurance	\$ 641	\$ 641	\$ 641	\$ 641	\$ 641
688 Regulatory Commission Expense		\$ -	\$ -	\$ -	\$ -
689 General Expense	\$ 405	\$ 405	\$ 600	\$ 600	\$ 600
Subtotal	\$ 13,500	\$ 13,500	\$ 15,036	\$ 15,036	\$ 15,036
403 Depreciation	\$ 100	\$ 100	\$ 169	\$ 169	\$ 169
408 Taxes Other Than Income	\$ 756	\$ 756	\$ 756	\$ 756	\$ 756
409 State Income Taxes	\$ 800	\$ -	\$ 800	\$ 800	\$ 800
410 Federal Income Taxes	\$ -	\$ 2,588	\$ (69)	\$ 592	\$ 224
Total Deductions	\$ 15,156	\$ 16,944	\$ 16,692	\$ 17,354	\$ 16,985
Net Revenue	\$ 772	\$ 3,286	\$ (392)	\$ 3,357	\$ 1,270
Rate Base					
Average Plant	\$ 10,171	\$ 10,171	\$ 10,171	\$ 10,171	\$ 10,171
Average Dep. Reserve	\$ 100	\$ 100	\$ 169	\$ 169	\$ 169
Net Plant	\$ 10,071	\$ 10,071	\$ 10,002	\$ 10,002	\$ 10,002
Less:					
Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Plus:					
Construction Work in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Working Cash	\$ -	\$ -	\$ 1,253	\$ 1,253	\$ 1,253
Materials and Supplies	\$ -	\$ -	\$ 500	\$ 500	\$ 500
Rate Base	\$ 10,071	\$ 10,071	\$ 11,755	\$ 11,755	\$ 11,755
Rate of Return	7.67%	32.63%	-3.33%	28.56%	10.80%

(END OF APPENDIX A)

APPENDIX B

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Schedule No. MP-1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

All territory served by Del Oro Water Company, Inc. known as Skaal Knoll Homesites, located approximately two miles west of Highway 99, and west half of lot 53 of West Fresno Tract, in the unincorporated area of Fresno County.

RATES

Quantity Rates:

All usage, per 100 cu.ft.	\$	1.98	(I)
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Service Charge:

For	5/8 x 3/4-inch meter	\$	18.52	(I)
For	3/4-inch meter	\$	27.77	
For	1-inch meter	\$	46.31	
For	1-1/2-meter	\$	92.62	
For	2-inch meter	\$	148.19	(I)

This Service Charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

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Schedule No. MP-1
GENERAL METERED SERVICE
(continued)

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the resident may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The established billing cycle for water used is monthly.
3. The opening bill for metered service, except upon conversion from flat rate service, shall be established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due to the customers.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
5. A late charge will be imposed per Schedule No. LC.
6. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to the subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or the property owner.
7. As authorized by the California Public Utilities Commission (CPUC), all bills are subject to a one-time surcharge of \$13.16 billed over approximately six (6) billing cycles at \$2.19 per month to each customer's bill upon approval by the CPUC of Advice Letter No. 328-A. This charge offsets the California Department of Public Health fees as billed to the Metropolitan District for Fiscal Year July 1, 2011 through June 30, 2012.

APPENDIX B

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Schedule No. MP-2
RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

All territory served by Del Oro Water Company, Inc. known as Skaal Knoll Homesites, located approximately two miles west of Highway 99, and west half of lot 53 of West Fresno Tract, in the unincorporated area of Fresno County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For each single-family residential unit including premises	\$ 53.31	(I)
For each additional single family residential unit on the same premises and served from the same service connection	\$ 34.72	(I)

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the resident may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The established billing cycle for water used is monthly.
3. The opening bill for metered service, except upon conversion from flat rate service, shall be established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be

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Schedule No. MP-2
RESIDENTIAL FLAT RATE SERVICE
(continued)

SPECIAL CONDITIONS (continued)

credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due to the customers.

4. All bills are subject to the reimbursement fee set forth in Schedule No UF.
5. A late charge will be imposed per Schedule No. LC.
6. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to the subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or the property owner.
7. The residential flat rate charges apply to service connections not larger than one-inch diameter.
8. All service not covered by the above classification will be furnished only on a metered basis.
9. The monthly flat rate charge is due in advance, in accordance with the utility's established billing period.
10. As authorized by the California Public Utilities Commission (CPUC), all bills are subject to a one-time surcharge of \$13.16 billed over approximately six (6) billing cycles at \$2.19 per month to each customer's bill upon approval by the CPUC of Advice Letter No. 328-A. This charge offsets the California Department of Public Health fees as filled to the Metropolitan District for fiscal year July 1, 2011 through June 30, 2012.

(END OF APPENDIX B)

APPENDIX C
Del Oro Water Company
Metropolitan District

Comparison of Rates
Test Year 2012

		Per Service Connection Per Monthly		
		Present	Recommended	Percent
		<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
Service Charge:				
	5/8 x 3/4" \$	16.54	\$ 18.52	12.0%
	3/4" \$	24.80	\$ 27.77	12.0%
	1" \$	41.35	\$ 46.31	12.0%
	1-1/2" \$	82.70	\$ 92.62	12.0%
	2" \$	132.32	\$ 148.19	12.0%

Quantity Charge:

All water usage, per 100 cubic feet	\$	1.77	\$	1.98	12.0%
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A monthly bill comparison for a customer with a 5/8 x3/4-inch meter is shown below:

		Usage	Present	Recommended	Amount	Percent
		<u>per 100 cubic feet</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
Average		0	\$16.54	\$18.52	\$1.98	11.99%
		5	\$25.39	\$28.43	\$3.04	11.99%
		12	\$37.78	\$42.31	\$4.53	11.99%
		17	\$47.31	\$52.99	\$5.67	11.99%
		20	\$51.94	\$58.17	\$6.23	11.99%

(END OF APPENDIX C)

APPENDIX D
Del Oro Water Company
Metropolitan District

Adopted Quantities
Test Year 2012

1. Purchased Power	\$ 1,753
2. Water Sales	3,964 Ccf
3. Payroll	
Employee Labor	\$3,549
Office Salaries	\$2,029
Management Salaries	\$ 441
4. Payroll Taxes	\$ 548
5. Property Taxes	\$ 208

Service Connections

Metered Service	
5/8-inch by 3/4-inch	19
Flat Rates	<u>9</u>
Total	28

INCOME TAX CALCULATIONS
Test Year 2012

Operating Revenues	\$18,255
Operating Expenses	\$15,036
Depreciation	\$ 169
Taxes Other than Income	\$ 756
Taxable Income for State	\$ 2,294
State Tax	\$ 800
Taxable Income for Federal	\$ 1,494
Federal Tax	\$ 224

(END OF APPENDIX D)